

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** Original  
**POSITION:** Neutral

**BILL NUMBER:** X1 AB 14  
**AUTHOR:** N. Skinner

### **BILL SUMMARY:** Energy: Energy Upgrade Financing

Existing law establishes the California Alternative Energy and Advanced Transportation Financing Authority (Authority) to provide financing for facilities that use alternative energy sources and technologies. This is known as the Property Assessed Clean Energy program (PACE).

Existing law appropriates \$50 million from the Renewable Resources Trust Fund (RRTF) for the PACE Program. Of the amount appropriated, \$300,000 may be utilized for administrative costs in implementing the PACE program. This one-time appropriation is available for expenditure until January 1, 2015.

This bill, an urgency measure, would expand the authorized use of the existing PACE appropriation and create the Clean Energy Reserve Program (CERP). The CERP would provide financial assistance to financial institutions to finance the installation of distributed generation renewable energy resources, electric vehicle charging infrastructure, or energy or water efficiency improvements.

The bill would increase allowable administrative costs to \$550,000 RRTF, an increase of \$250,000 RRTF.

### **FISCAL SUMMARY**

The bill would increase authorized administrative costs to \$550,000 from \$300,000 RRTF. These increased costs would be assumed within the \$50 million appropriated for the PACE program.

### **COMMENTS**

The Department of Finance is neutral on this bill because increased costs would be absorbed within an existing appropriation.

Currently, the PACE program allows local governments to finance energy efficiency improvements for homeowners. Homeowners repay the costs through a special property tax levy. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) have blocked the program by improperly characterizing the assessments as loans, and telling lenders they would not fund mortgages on properties participating in the program. Under the PACE program, a lien is placed on the property that gives local governments priority of repayment if the home goes into foreclosure, thus putting the mortgage financier at risk. The CERP program would replace the PACE program and operate within the Fannie Mae and Freddie Mac guidelines by not requiring local governments to hold the first lien on homes participating in the CERP program.

The bill would require the applicants to meet specified requirements, such as determining if the recipient is the legal owner of the property, the recipient is current on mortgage and property tax payments and the recipient is not in default or bankruptcy proceedings.

(Continued)

Analyst/Principal (0621) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**COMMENTS (continued)**

The Assembly Subcommittee #4, at the Legislative Analyst's Office recommendation, presented a proposal to eliminate funding for PACE. To date, the Assembly Subcommittee has taken no action and Senate Subcommittees have not heard the issue. The funding is available until January 1, 2015.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							Fund
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
0971/Energy Fin		SO	No	----- See Fiscal Summary -----						0382
<u>Fund Code</u>	<u>Title</u>									
0382	Renewable Resource Trust Fund									